

ADDITIONAL ANALYSIS - WIDOW QS REALLOCATION AND DIVESTITURE

This document provides supplemental information on the widow QS reallocation and divestiture suboptions. The alternatives are fully described in [Agenda Item E.6, Attachment 1](#) (“the main analysis”). The following topics are covered here.

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Geographic Distribution of Widow Landings

The main analysis provides some information on the geographic distribution of widow QS and harvest in recent years. Here additional information on landings by vessels using trawl gear is provided for historic periods. Trawl gears of all types are included to ensure confidentiality. In general, the harvest is dominated by groundfish trawl. This information shows that the general northward shift of QS expected under the reallocation alternatives (Table 4-16 of the main analysis) reflects the general northerly distribution of widow rockfish landings.

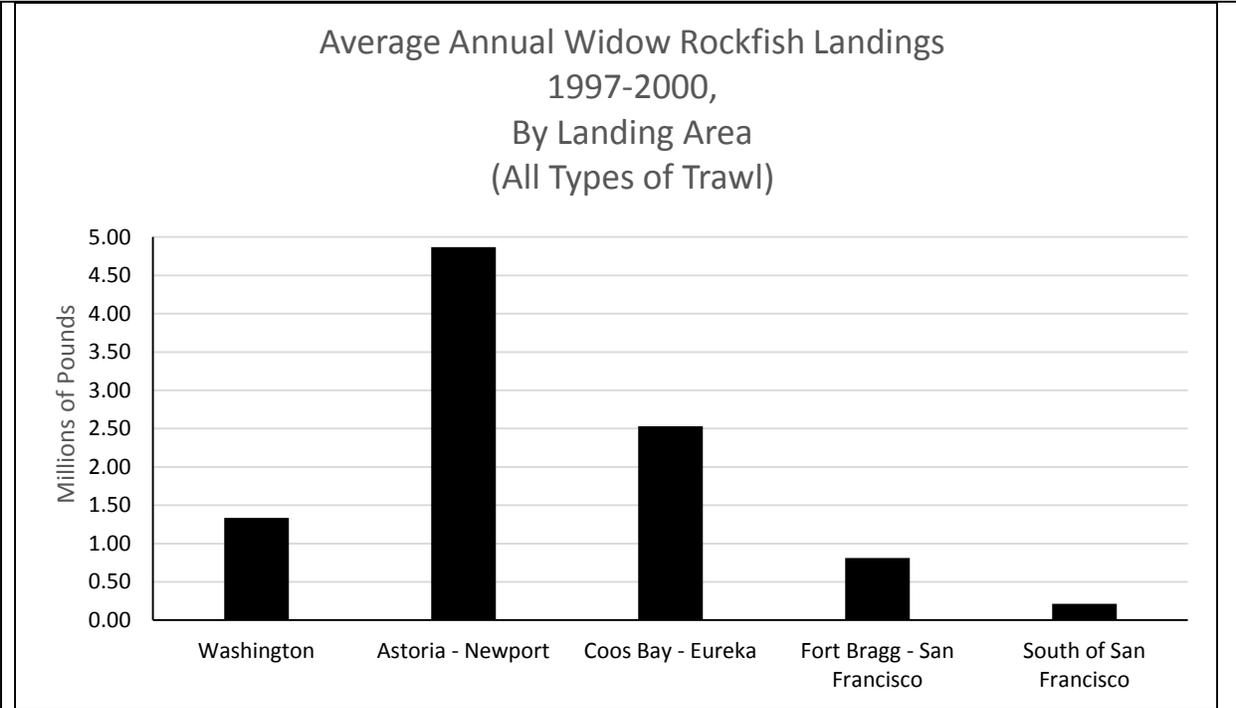


Figure 1. Average annual trawl caught shoreside widow rockfish landings (1997-2000, all types of trawl gear).

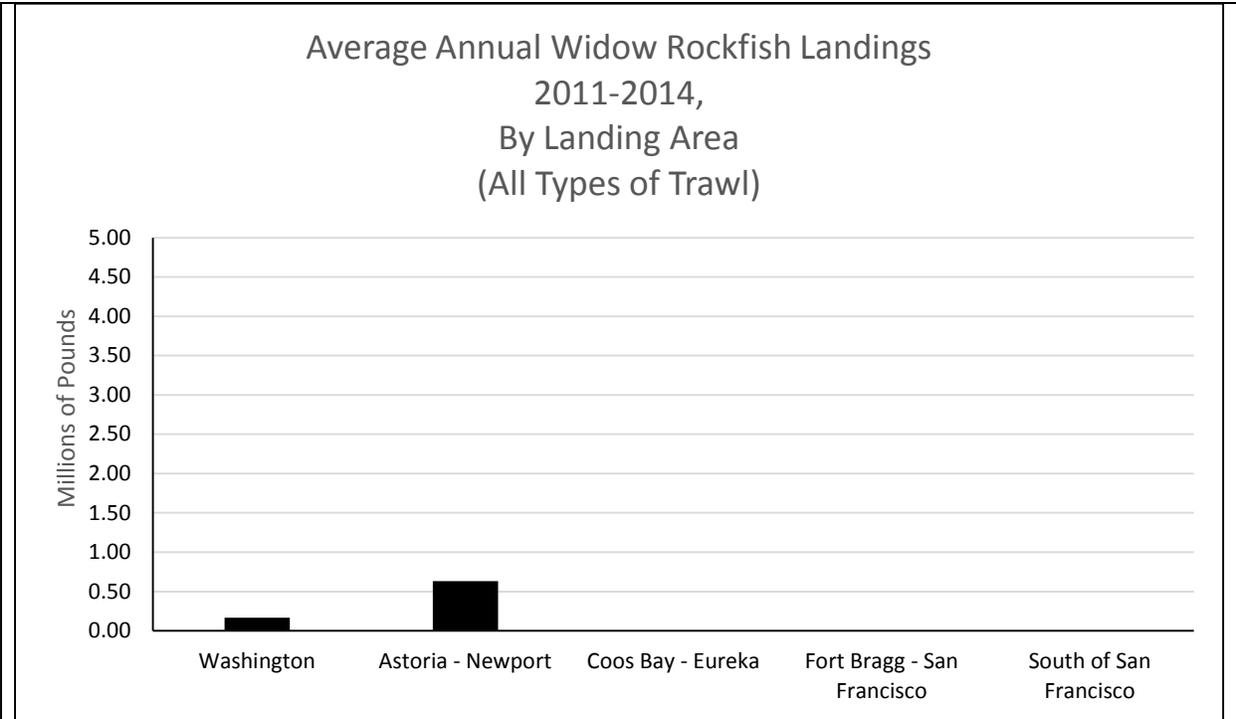


Figure 2. Average annual trawl caught shoreside widow rockfish landings (2011-2014, all types of trawl gear).

Divestiture Suboptions and Analysis

The following is a summary of the divestiture suboptions for the action alternatives discussed more fully in Section 2.1 of the main analysis.

Suboptions for All Action Alternatives

Widow QS Divestiture Delay

Widow Delay Suboption A: Maintain the November 30, 2015 deadline

Widow Delay Suboption B: 12 months post-implementation

Aggregate Nonwhiting QS Divestiture Delay

Aggregate Delay Suboption A: Maintain the November 30, 2015 deadline

Aggregate Delay Suboption B: Exclude Widow from the calculation

Aggregate Delay Suboption C: Extend deadline through widow reallocation, including the 12 month post-implementation delay (i.e. same as Widow Delay Suboption B)

Aggregate Delay Suboption D: Extend deadline through program review

Under Reallocation Alternative 1 (no action on QS reallocation) there will be no need to delay the November 30, 2015 control limit deadline. That deadline currently exempts widow rockfish due to the QS trading moratorium still in place for that species. The trading moratorium will automatically expire if the Council selects no action but a modification to the regulations will be required to remove the deadline exemption for widow rockfish. Under the other action alternatives divestiture delays will avoid significant challenges with implementation of the reallocation.

Impacts

For purposes of this analysis, Suboption A (for both widow and aggregate delay) is considered to be the equivalent of status quo.

Physical and Biological Environment

The action alternative suboptions related to divestiture are not expected to substantially impact the physical or biological environment. Whenever divestiture occurs, it is not expected to substantially alter that amount of fish harvested or the methods of harvest, two mechanisms by which the biological and physical environment could be impacted. The industry currently under-harvests the available QP of most species but that under-harvest appears to be caused by the limited availability of sablefish and petrale sole QP. The QP for these two species are generally fully harvested (see Agenda Item F.4.b, [Supplemental NMFS Report](#), June 2014) and over 99 percent of the deliveries contain one or the other (or both) (Figure 3). Therefore, additional harvest of other species appears to be constrained by availability of QP for these two species. Part of that availability is market determined since some sablefish QP is used by vessels harvesting with fixed gear, a gear which generally harvests sablefish with low levels of incidental catch of other species. If there were a lower demand for sablefish QP by vessels using fixed gear there would be more available for the mixed stock trawl fishery.

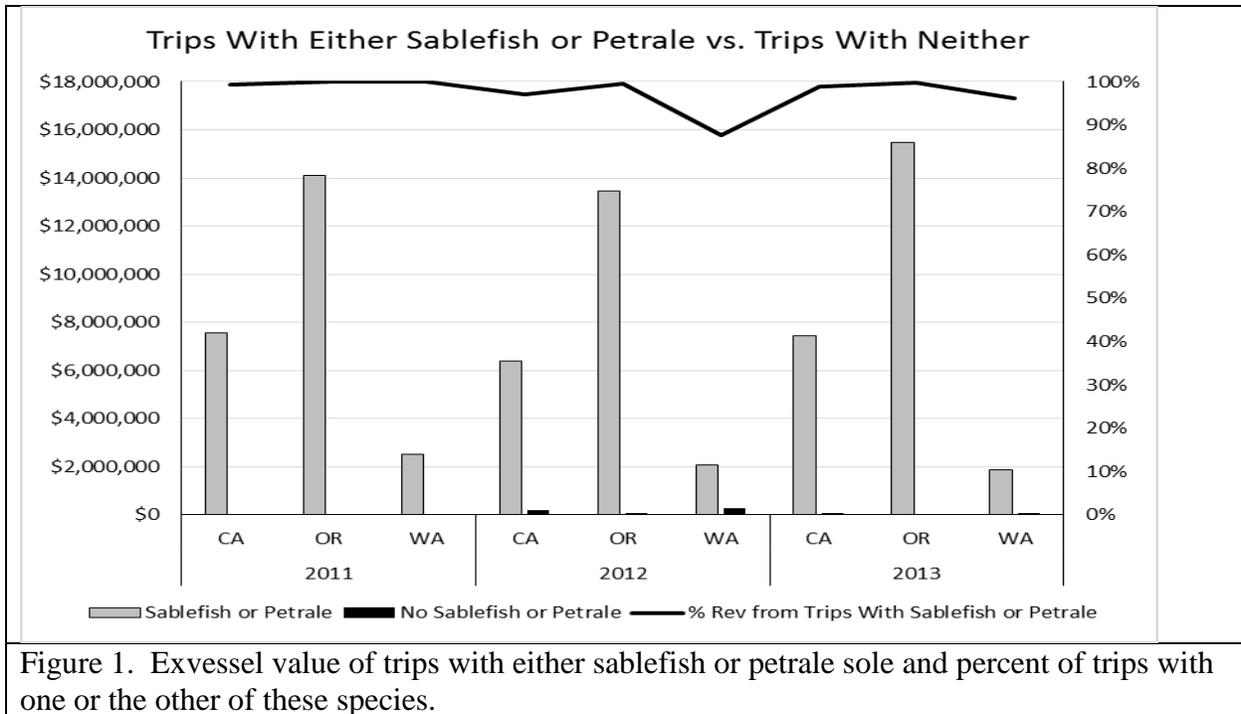


Figure 1. Exvessel value of trips with either sablefish or petrale sole and percent of trips with one or the other of these species.

Geographic redistribution is another mechanism by which physical and biological resources might be affected. When divestiture occurs, it is impossible to predict where that QS will be traded, however, with respect to widow QS any geographic redistribution would likely be less than is expected with widow QS reallocation. Under most of the reallocation alternatives about 17 percent of the widow QS is expected to be redistributed among ports (Table 4-16 of the main analysis) while when divestiture occurs only 4.47 percent of the widow rockfish appears to be held in excess of the limits and it is uncertain as to whether that QS would stay within a port or be shifted to other ports. The impacts of any redistributions will be monitored and constrained as described for the widow QS reallocation in Section 4.1.2 of the main analysis

The effects related to the geographic impact mechanisms described here will occur with full implementation of the control limits. For both the widow control limit and the aggregate nonwhiting control limit, under Suboption A, those impacts would occur by November 30, 2015 (as scheduled after the whiting reallocation issues was settled in relation to the Pacific Dawn law suit). When they occur the effects are expected to be short term because over the long term market forces are expected to redistribute QS in a similar manner regardless of the initial allocations. Relative to Suboption A for both delay issues:

- Widow Delay Suboption B delays the occurrence of widow control limit related impacts for the time required to reallocate the widow rockfish QS plus 12 months.
- Aggregate Delay Suboption B, delays occurrence of aggregate control limit related impacts only with respect to the widow rockfish contribution to that control limit. Most of the impacts related to divestiture of species other than widow rockfish would occur by November 30, 2015. Compliance with respect to the widow rockfish contribution to the aggregate would be required 12 months after full implementation of the widow rockfish

QS reallocation (same as Widow Delay Suboption B), at which time additional impacts related to geographic distribution might occur as those controlling excess amounts divest of widow or other species to bring themselves within the aggregate nonwhiting control limits.

- Aggregate Delay Suboption C, delays occurrence of aggregate control limit related impacts with respect to all nonwhiting species until 12 months after full implementation of the widow rockfish QS reallocation (same as Widow Delay Suboption B).
- Aggregate Delay Suboption D, delays occurrence of aggregate control limit related impacts with respect to all nonwhiting species until a time after the five year review (until the first regulatory action occurring pursuant to the results of that review).

Socio-economic Environment

Harvesting Sector

Those most directly impacted by a delay in divestiture are: those who control QS in excess of limits; other would be sellers of QS; and would be buyers of QS.

The analysis of the widow rockfish reallocations (using publically available information) indicates that there could potentially be as few as one entity that controls QS in excess of the 5.1% widow QS control limits (this is consistent with the [November 2014 NMFS report](#) stating that there are three or fewer such entities, based on the information they had available at that time). The amount by which the one entity appears to be over the widow QS limit is 4.47 percent. The November NMFS report also indicated that there were up to three entities over the aggregate limit. NMFS has not indicated the amount by which these entities are over due to confidentiality restrictions. It is likely that further divestiture has occurred since November of 2014 and that further divestiture may occur after the Council makes its final recommendations and up to the divestiture deadline.

Suboption A, for both the widow and the aggregate nonwhiting divestiture delay issues, would not provide a delay in divestiture for the widow rockfish or the aggregate control limits. NMFS would have to take action to remove the current divestiture deadline exception in place for widow rockfish. Currently, quota share trading is not allowed for widow rockfish. This moratorium was maintained for widow rockfish in order to facilitate reallocation and it is not clear how a reallocation would be carried out if QS trading were allowed to start. Given that widow QS trading is not allowed and that reallocation would not be achieved before the November 30, 2015 deadline, imposing that deadline would result in revocation of widow QS held in excess of the widow QS control limits without providing those controlling the QS an opportunity to divest. Those over the aggregate limit would have to bring themselves to within the limit by divesting of species other than widow rockfish QS. This may prevent them from implementing their optimal divestiture strategy. However, upon reallocation the amounts of widow QS these individuals hold would be the same as if their widow QS had never been revoked (except possibly for Alternative 4). After reallocation, either additional time would need to be provided for divestiture by any entity that the reallocation forces over the limit, or a provision would need to be included in the reallocation alternative that would cap any reallocations at the QS control limit. The latter approach would not likely be perceived as fair and equitable to those that would otherwise receive QS in excess of the limit, given the policies of Amendment 20 to allow allocations in excess of limits and provide time for divestiture.

Delaying divestiture would also alter the fairness and equity balances reached in Amendment 20. Those with QS in excess of QS control limits were given those amounts as part of an initial allocation and were given a period of time to divest as part of the Amendment 20 balances. Delaying divestiture alters that balance: extending the amount of time those with amounts in excess of limits benefit, and delaying the time before which others will have access to that QS. Those potentially interested in acquiring the QS that becomes available because of divestiture might include, but not be limited to: vessel owners, captain and crew, first receivers (processors), and community entities. Additionally, some QS owners that have already divested have expressed that they would be impacted by a change of the anticipated divestiture deadlines currently in regulation (in comparison to those who have not yet divested).

Upon divestiture, there will be additional QS on the market and the expected result would be some diminishment of market prices, to the extent that there is a functioning market for QS. This impact on market price would be expected to benefit buyers but reduce the value received by QS sellers (both those who are divesting and others who might be trying to sell their QS). Divestiture delay will delay these impacts.

The extent of any of these effects from delay depends on the duration of the delay. The duration of the delay for each suboption, relative to Suboption A for both delay issues, is described at the end of the section on physical and biological impacts.

First Receivers

First receivers are not expected to be noticeably impacted by the divestiture suboptions, except to the extent that they are owners of QS or are in the market to acquire QS. The impacts on those first receivers with QS and those that might acquire QS are accounted for in the above description of impacts on the harvesting sector. There are currently four first receivers with widow QS (Table 4-14 of the main analysis). Overall levels of harvest are not expected to change with divestiture and any impacts on geographic distribution are expected to be minor relative to geographic shifts that are occurring in response to other factors and short term (see above section on physical and biological impacts and Section 4.1.2 of the main analysis).

Communities

Communities are not expected to be noticeably impacted by the divestiture suboptions. Overall levels of harvest are not expected to change with divestiture and any impacts on geographic distribution are expected to be minor relative to geographic shifts that are occurring in response to other factors and short term (see above section on physical and biological impacts and Section 4.1.2 of the main analysis). A community may benefit if its members are able to maintain QS in excess of control limits for a longer period of time—QS that might otherwise be traded to members of a different community. Other communities may be adversely affected to the degree that QS is not available and acquisition of QS is more expensive because of the QS held by some in excess of limits. The extent of whatever geographic effect might occur depends on the extent of the delay, which varies by suboption and is described at the end of the above section on physical and biological impacts.

Government Entities

A rulemaking would be required under all of the reallocation alternative divestiture suboptions (including Alternative 1, No Action, for which action would be required to eliminate the current divestiture deadline exemption for widow rockfish QS). Therefore, it is likely that there is little, if any, difference among the divestiture suboptions with respect to implications for agency workload or budgets. Additionally, none of the suboptions is expected to entail any long-term commitment of agency resources.

Errata for Agenda Item E.6, Attachment 1

Page 16: Equal Division: ~~28%~~ approximately 30% of widow QS divided equally among all participants (buyback history) (percent depends on suboption selected).

Page 17: Based on that process, the amount of all widow rockfish QS is expected to be allocated equally is ~~XX~~ 30.0% under Suboption A and ~~YY~~ 31.3% under Suboption B.

Page 18: A higher ACL would result in a ~~higher~~ lower allocation to permits based on their whiting catch history.